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Review of the efficiency of the administrative and financial functioning of the United Nations

Activities of the Independent Audit Advisory Committee for the period from 1 August 2009 to 31 July 2010

Report of the Independent Audit Advisory Committee

Summary

The present report covers the period from 1 August 2009 to 31 July 2010. The Independent Audit Advisory Committee held four sessions during the period, all of which were presided over by David M. Walker (United States of America). Mr. Walker and Vijayendra Nath Kaul (India) were re-elected to continue as Chair and Vice-Chair, respectively, for fiscal year 2010. All five members of the Committee attended each of the four sessions during the reporting period.

Section II of the report contains an overview of the activities of the Committee, the status of its recommendations, and its plans for 2011. Section III presents the detailed comments of the Committee.

Included as annexes to the report is the advice of the Committee on matters for consideration by the General Assembly. These matters pertain to the effectiveness, efficiency and impact of audit activities and other oversight functions of the Office of Internal Oversight Services (annex I), the terms of reference for the Committee (annex II), and the implementation of General Assembly resolution 64/259 on an accountability system in the United Nations Secretariat (annex III).

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I. Introduction

1. The General Assembly, by resolution 60/248, established the Independent Audit Advisory Committee as a subsidiary body to serve in an expert advisory capacity and to assist it in fulfilling its oversight responsibilities. In accordance with its terms of reference (see General Assembly resolution 61/275, annex), the Committee is authorized to hold up to four sessions per year. The Committee has held 11 sessions since its inception in January 2008.

2. In accordance with its terms of reference, the Committee submits an annual report to the General Assembly, containing a summary of its activities and related advice. The present, third annual report covers the period from 1 August 2009 to 31 July 2010.

3. Annexed to the report are the observations, comments and recommendations of the Committee on the effectiveness, efficiency and impact of the oversight activities of the Office of Internal Oversight Services (OIOS) (annex I); the terms of reference for the Committee (annex II); and the status of implementation of General Assembly resolution 64/259 on an accountability system in the United Nations Secretariat (annex III). The Committee decided to present these separately as annexes to facilitate the consideration of the respective agenda items by the General Assembly.

II. Activities of the Independent Audit Advisory Committee

A. Overview of the sessions of the Committee

4. During the reporting period, the Committee held four sessions: from 2 to 4 December 2009 (eighth session); 17 to 19 February 2010 (ninth session); 19 to 21 May 2010 (tenth session); and 21 to 23 July 2010 (eleventh session). Except for the eighth session, which was held in Geneva, all of the other sessions were held at the United Nations Headquarters.

5. The Committee functions under its adopted rules of procedure, as contained in the annex to its first annual report A/63/328. To date, all members of the Committee have a 100 per cent attendance rate at its sessions. All decisions of the Committee have been unanimous; however, its rules of procedure do make provision for members to record their dissent with decisions taken by the majority.

6. At its eighth session, in December 2009, the members re-elected David M. Walker (United States of America) and Vijayendra N. Kaul (India) as Chair and Vice-Chair, respectively, for 2010. As indicated in its previous annual report (A/64/288), the Committee launched the English language version of its website on 18 December 2008. The Committee has since completed the implementation of the website in the other official languages of the United Nations, in August 2009.

7. Since its establishment, the Committee has submitted eight reports to the General Assembly, two of which have been submitted during the current reporting period. These include a report to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on the budget of OIOS under the support account for peacekeeping operations for the period from 1 July 2010 to 30 June 2011 (A/64/652), and the Committee's annual report to the General Assembly (A/64/288).

B. Status of the recommendations of the Committee

8. As at 30 June 2010, the Committee has made a total of 55 recommendations in its reports. Seven of the 55 recommendations made in the Committee's previous annual report (A/64/288, annex) are before the General Assembly. The remaining 48 recommendations include 12 recommendations that the General Assembly has taken note of, 26 recommendations that have been implemented and another 10 recommendations that are in the process of being implemented.

9. Certain recommendations made by the Committee have been deferred for consideration by the General Assembly to no later than the main part of its sixty-sixth session (see resolution 64/263, para. 6), and they all pertain to OIOS and cover the definition of the operational independence of OIOS, the definition of impairment to OIOS independence, an annual assurance on OIOS independence, the development of an internal oversight charter, the protocol for the distribution of OIOS reports and the selection of staff for appointment and promotion.

10. **The Committee appreciates that the General Assembly plans to consider these recommendations no later than the main part of its sixty-sixth session. In the Committee's view, the recommendations are of critical importance to the effectiveness of the Office of Internal Oversight Services, especially those recommendations dealing with the operational independence of OIOS. The Committee, therefore, welcomes the opportunity to provide further advice to the General Assembly on these issues and plans to do so in line with requests by the Assembly**.

11. Although it meets only four times per year for two to three days at each session, the Committee has made significant achievements to date, particularly in relation to the operations of OIOS. The Committee follows up on the implementation of its recommendations as a standard agenda item at each session and looks forward to seeing the full effect of the actions taken by OIOS and management. Some of the significant recommendations that the Committee has made during the present reporting period relate to:

(a) The need for OIOS to undertake a thorough review of its work planning assumptions and estimates, in determining the level of resources required in its budget. This could be achieved by adopting and implementing a more robust plan by preparing a workplan that is based on residual risk. **The Committee reiterates its comment (made in A/64/86, para. 11, and A/64/652, para. 17) that relying on inherent risk only provides an overly conservative estimate of the level of risk in an organization. In completing its risk analysis, OIOS should take into account the effect of controls that management has put in place to mitigate the risks** (see also annex I, sect. A, to the present report).

(b) The immediate and urgent action that is required to fill vacant posts in OIOS, particularly at the senior management levels, especially the positions of Director of the Investigations and the Director of the Inspection and Evaluation Divisions, in order to ensure that the effectiveness and efficiency of OIOS in the performance of its mandated functions is not compromised (see also annex I, sect. II.B, to the present report).

C. Overview of the plans of the Committee for 2011

12. The Committee undertook its responsibilities, as set out in its terms of reference, in accordance with the scheduling of the sessions of the Advisory Committee on Administrative and Budgetary Questions and the General Assembly. The Committee will continue to schedule its sessions and activities to ensure that interaction with intergovernmental bodies is coordinated and that the availability of its reports is timely. In a preliminary review of its workplan, the Committee has identified several key areas which will be the main focus for each of its four sessions for fiscal 2011 (see table).

Workplan of the Committee for 2011

Sessions	*Key focus area*	*Intergovernmental consideration of the report of the Committee*
Thirteenth	Proposed budget for OIOS under the support account for peacekeeping operations for the period from 1 July 2011 to 30 June 2012	Advisory Committee on Administrative and Budgetary Questions, first quarter 2011
Fourteenth	Status of implementation of oversight bodies recommendations	General Assembly
	Management of risks and internal controls	
	Proposed programme budget for OIOS for the biennium 2012-2013	Advisory Committee on Administrative and Budgetary Questions, second quarter 2011
Fifteenth	Operational implications of issues and trends in the financial statements and reports of the Board of Auditors	General Assembly, main part of the sixty-sixth session
	Cooperation among United Nations oversight bodies	
	Preparation of the annual report of the Committee	
Sixteenth	Results of OIOS risk assessments	
	Workplans of OIOS for 2012	

13. In the discussion on planning for 2011, the Committee identified the following relevant events:

(a) Consideration by the General Assembly of recommendations concerning OIOS made by the Committee in its annual report (A/64/288, annex) and deferred by the Assembly to no later than the main part of its sixty-sixth session (resolution 64/263, para. 6);

(b) The request by the General Assembly for the Secretary-General to entrust OIOS with comprehensively defining and compiling key oversight terms in close consultation with relevant departments and offices, including the Department of Management and the Office of Legal Affairs of the Secretariat, bearing in mind existing definitions used by the Board of Auditors and the Joint Inspection Unit, and taking into account the views of the Independent Audit Advisory Committee; and the further request by the Assembly for the Secretary-General to entrust OIOS to submit to the Assembly no later than at the main part of the sixty-sixth session, terms whose definition require the guidance of the Assembly (resolution 64/263, paras. 7 and 8);

(c) The request by the General Assembly for the Secretary-General to report to the Assembly at the main part of its sixty-sixth session on the implementation of resolution 64/259;

(d) The appointment or reappointment of three of the five members of the Committee to a new term starting in January 2011;

(e) The end of term for the two of the five members of the Committee whose first four-year term expires in December 2011;

(f) The transition in the leadership position in OIOS, following the approval by the General Assembly of the appointment of a new Under-Secretary-General to one fixed term of five years, beginning on 13 September 2010 and ending on 12 September 2015.

14. The Committee may make proposals to the General Assembly in response to resolution 64/263, as referred in paragraphs 13 (a) and (b) above. These proposals will be contained in the annual report of the Committee to be submitted to the General Assembly at its sixty-sixth session.

III. Detailed comments of the Committee

A. Status of the recommendations of United Nations oversight bodies

15. During the reporting period, the Committee reviewed the status of implementation by management of the recommendations of United Nations oversight bodies, as a standard practice. In its report on the United Nations accounts for the biennium 2008-2009 (A/65/5 (Vol. I)), the Board of Auditors reported an overall implementation rate of 54 per cent in respect of recommendations made for the previous biennium 2006-2007. This represents an overall improvement in the implementation rate of recommendations made in respect of 2006-2007, which stood at 27 per cent as reported by the Committee in its previous annual report (A/64/288).

16. According to the report of the Board of Auditors on United Nations peacekeeping operations for the 12-month period from 1 July 2008 to 30 June 2009 (A/64/5 (Vol. II), chap. II), the rate of implementation of the recommendations made for 2007-2008, in respect of peacekeeping operations, was 40 per cent. The Board noted that there was an improvement in the rate of implementation of recommendations when compared with the previous year, which showed that 32 per cent of the recommendations had been fully implemented.

17. The Department of Management also advised the Committee on the status of implementation of recommendations made by the Joint Inspection Unit. As of July 2010, the acceptance rate of Joint Inspection Unit recommendations by the United Nations Secretariat was 41.3 per cent in 2009, compared to 36.7 per cent in the previous year. The implementation rate was 44 per cent, compared to 34.2 per cent in the previous year. The Department of Management considered that this was a modest but important improvement given the fact that these statistics include recommendations addressed to the General Assembly and over which management has no control.

18. In the addendum to its report to the General Assembly on the activities of OIOS for the period from 1 July 2009 to 30 June 2010 (A/65/271 (Part I)/Add.1), OIOS reported that it had issued a total of 1,992 recommendations to United Nations entities. Of the recommendations issued by OIOS during the above period, 669 (34 per cent) were deemed by OIOS to be critical. As at 30 June 2010, programme managers had implemented 904 (51 per cent) of all recommendations issued between 1 July 2009 and 31 May 2010, and 264 (43 per cent) of critical recommendations issued during the same period.[1] The Committee noted that some of the recommendations relating to the audit of extraordinary measures for the African Union-United Nations Hybrid Operation in Darfur (UNAMID), that were made by OIOS in January 2009 in its report A/63/668, have not been implemented. The Committee was informed that the non-implementation of some of these recommendations was due to the fact that they had not been accepted by management for various reasons put forward. OIOS has also closed some of these recommendations, following further information received from management. The Committee was advised by the Department of Management that critical recommendations made by OIOS that have not been implemented for more than three years or recommendations that remain unimplemented for less than three years, and are of particular concern to OIOS (as identified in the OIOS annual report on its activities) are normally brought to the attention of the Management Committee for appropriate action. The main recommendations made by the Board of Auditors that are outstanding for more than two years are also brought to the attention of the Management Committee. **The Independent Audit Advisory Committee recommends that the administration assess the lessons learned from the OIOS audit of UNAMID, and take these into account in establishing other United Nations operations, in the future. The Committee will continue to monitor the issue of non-accepted recommendations and delays in the implementation of recommendations made by oversight bodies.**

19. The Committee noted the efforts by the administration to continuously monitor the status of implementation of recommendations made by the oversight bodies. The Committee also welcomed the steps by the administration to analyse the trends in the factors affecting the implementation rate of recommendations, to identify and address systemic issues, deficiencies and risks and to seek solutions to address such weaknesses. The Department of Management also advised the Committee that, in the future, after the Department has established a dedicated enterprise risk management and internal control function, it proposes to assess the nature of recommendations that have not been accepted. It also plans to undertake a risk

[1] While the reporting period is from 1 July 2009 to 30 June 2010, owing to timing constraints, statistics on the status of recommendations include only those recommendations issued through 31 May 2010 and their status as at 30 June 2010.

assessment of non-implementation of such recommendations and to raise these to the attention of the Management Committee for appropriate action.

20. The Committee acknowledges that the Management Committee, under the chairmanship of the Deputy Secretary-General, continues to make a concerted effort to stress to programme managers the need to expeditiously implement the recommendations of the oversight bodies and to continue to closely monitor their implementation. The Management Committee has also advised the Independent Audit Advisory Committee that the issue of non-acceptance of recommendations has been of interest to that Committee. According to the Management Committee, although such recommendations constitute less than 1 per cent of all recommendations issued by the oversight bodies, the Management Committee is closely monitoring the matter and has tasked the Department of Management with the responsibility of reviewing and reporting on these cases. The Management Committee is also mindful of the continuing importance attached by the General Assembly to the full and timely implementation of recommendations of oversight bodies and the expressed request of the General Assembly to further strengthen consultation with oversight bodies. In that regard, the Management Committee has met with all of the oversight bodies over the period from June 2009 to May 2010, including a meeting with the Chair and Executive Secretary of the Independent Audit Advisory Committee in November 2009. The dialogue meetings were intended, inter alia, to promote a more direct and strengthened engagement between the Management Committee and the oversight bodies and to strengthen collectively the management of the organization, especially on the critical issue of recommendations of oversight bodies.

21. **The Independent Audit Advisory Committee recommends that the Management Committee continue the initiative of meeting with the oversight bodies, including the Independent Audit Advisory Committee, at least once per year. The Independent Audit Advisory Committee further recommends that consideration should be given to inviting OIOS to attend meetings of the Management Committee as "observers" during those meetings that address oversight matters.**

B. Risk management and internal control framework

22. Subparagraphs 2 (f) and (g) of the terms of reference for the Committee specifically mandate the Committee with the responsibility to advise the Assembly on the quality and overall effectiveness of risk management procedures; and on deficiencies in the internal control framework of the United Nations.

23. The Committee has included its comments on the implementation of General Assembly resolution 64/259 on an accountability system in the United Nations Secretariat, including the enterprise risk management and internal control framework, as annex III to the present report.

C. Strengthening investigations

24. The Committee recalls that, in paragraph 18 of its resolution 62/247 on strengthening investigations, the General Assembly had requested the Secretary-General to prepare for its consideration and approval, in close cooperation with the

Office of Internal Oversight Services, a report providing detailed information on terms of reference with regard to the proposed comprehensive review of investigations in the United Nations.

25. The Committee understands that, in response to the request of the General Assembly, a Task Force, under the chairmanship of the Deputy Secretary-General, has been established to address the request of the Assembly. The objective of the Task Force is to review all types of investigations being conducted in the Secretariat; make suggestions on the need to improve systems; examine steps that would be required to implement change and determine terms of reference that have been requested by the General Assembly in resolution 62/247. The Task Force is supported by a working group, which was tasked to conduct the review and report back to the Task Force. The working group has made recommendations to the Task Force; these recommendations are still under consideration in view of ongoing developments. **The Committee will continue to monitor developments in this area and would appreciate being kept apprised of key steps being taken to address the request of the General Assembly**.

D. Financial reporting

26. Under subparagraphs 2 (h) and (i) of the terms of reference, the Committee has the responsibility to advise the General Assembly on the operational implications of the issues and trends apparent in the financial statements of the Organization and the reports of the Board of Auditors, and on the appropriateness of accounting policies and disclosure practices and to assess changes and risks in those policies.

27. The Committee engaged in discussions with the Board of Auditors and officials of the Office of Programme Planning, Budget and Accounts on a number of issues relating to financial reporting. The issues discussed included:

(a) The status of implementation of International Public Sector Accounting Standards (IPSAS) in the United Nations, including recent progress, challenges faced, the revised timeline for the implementation of IPSAS and the synchronization of the IPSAS timeline and strategy with that of the enterprise resource planning system project timeline;

(b) The growth in extrabudgetary funding over the recent past and the need to maintain proper controls and oversight over the use of such funds. The Office had informed the Committee that for the biennium 2008-2009, income from extrabudgetary sources was $2.8 billion (comprising $2.4 billion for general trust funds and $0.4 billion for technical cooperation funds), or 58 per cent of the total income for the United Nations General Fund ($4.9 billion). The comparable amount for the biennium 2006-2007 was 56 per cent, and 40 per cent for the biennium 2004-2005. Increased extrabudgetary resources have been forthcoming mainly for the humanitarian and human rights areas;

(c) The number of modified audit opinions issued by the Board of Auditors on the eight sets of financial statements prepared by the Office for the financial period ended 31 December 2009;

(d) Other issues of concern to the Board of Auditors, such as management and disclosure of non-expendable property; and liabilities for after-service health insurance and annual leave.

28. The Committee welcomed the energy and enthusiasm of the administration in implementing the IPSAS project as well as recent progress such as in the area of project governance, development of IPSAS policies, enhanced communication, including briefings on development of IPSAS training products, the launching of computer-based training and the finalization of a contract for the enterprise resource planning project. The Committee cautions, however, that it is crucial that IPSAS be implemented without any significant further delay in the United Nations Secretariat, in view of the impact of any such delays on the project momentum, concerns of stakeholders and deferral of the benefits of IPSAS. The High-level Committee on Management had originally recommended IPSAS implementation for United Nations system organizations by 2010; however, the United Nations Secretariat is now targeting 2014 as the new implementation date, subject to the implementation of the software application SAP.

29. **The Committee considers that it is important that the Board of Auditors and OIOS continue to remain sufficiently engaged in the IPSAS project, since this is a high-risk area in terms of financial reporting.**

30. **During discussions with the Administration, the Committee was advised that the specific accounting policies for the United Nations which are IPSAS-compliant need to be further developed by the Secretariat. The Committee considers that it would be beneficial for the Board of Auditors to provide comments on these policies on an urgent basis, as and when they are developed. This would ensure that any potential impact of these policies on the design of the enterprise resource planning project is addressed on a timely basis to avoid unnecessary changes which could be required later.**

31. The Committee notes that, in view of the significant "reputational risks" involved with regard to the expansion in extrabudgetary funds and the risk for fraud and abuse, there is a need for strong controls and oversight over such funds. In addition, the lack of effective controls over and accounting for non-expendable property appears to be developing into a systemic issue.

E. Coordination among United Nations oversight bodies

32. During the reporting period, in addition to its regularly scheduled meetings with OIOS, the Committee met with other oversight bodies in Geneva as well as in New York. These included the Joint Inspection Unit, the Audit Committee of the World Intellectual Property Organization (WIPO), and the United Nations Board of Auditors. Both the Independent Audit Advisory Committee and the WIPO Audit Committee welcomed the opportunity to discuss issues of common interest and suggested that similar opportunities should be sought going forward, with the inclusion of other audit committees of the United Nations system. In meeting with the Joint Inspection Unit, the Committee took note of the positive relationship through the tripartite coordination meetings with OIOS and the Board of Auditors and the sharing of workplans to avoid duplication.

33. During the Committee's eleventh session, the Committee and the Board of Auditors exchanged experiences and discussed ways to enhance cooperation and effectiveness without prejudice to their respective mandates. The Committee and the Board also engaged in extensive discussions on the Board's findings on operational implications and trends in the financial statements, including the Board's audit

opinions issued on financial statements for the financial period ended 31 December 2009; and on the major findings and recommendations contained in the Board's reports to the General Assembly (see para. 27 above). The Board also shared with the Committee cases of reliance it had placed on the work of OIOS.

34. The dialogue between the Board and the Committee allowed for the sharing of perspectives on matters of mutual concern and provided a useful opportunity for cooperation among United Nations oversight bodies.

F. Cooperation and access

35. The Independent Audit Advisory Committee is pleased to report that it has received full cooperation of the Joint Inspection Unit, the Board of Auditors, the Office of Internal Oversight Services and senior management in the United Nations Secretariat, including the Department of Management, in discharging its responsibilities. The Committee was also given appropriate access to the staff, documents and information it needed to undertake its work. The Committee looks forward to continued cooperation with the entities with whom the Committee interacts in order for the Committee to discharge its responsibilities set out in the terms of reference, in a timely manner.

(*Signed*) David M. **Walker**
Chair, Independent Audit Advisory Committee

(*Signed*) Vijayendra N. **Kaul**
Vice-Chair, Independent Audit Advisory Committee

(*Signed*) Vadim V. **Dubinkin**
Member, Independent Audit Advisory Committee

(*Signed*) John F. S. **Muwanga**
Member, Independent Audit Advisory Committee

(*Signed*) Adrian P. **Strachan**
Member, Independent Audit Advisory Committee

Annex I

Observations, comments and recommendations of the Independent Audit Advisory Committee on the effectiveness, efficiency and impact of the audit activities and other oversight functions of the Office of Internal Oversight Services

I. Background

1. The terms of reference provide for the Independent Audit Advisory Committee to advise the General Assembly on aspects of internal oversight (General Assembly resolution 61/275, annex, subparas. 2 (c-e)). In undertaking its mandate, the Committee maintained its standard practice of meeting with the Under-Secretary-General for Internal Oversight Services and other senior officials of the Office of Internal Oversight Services (OIOS), during the sessions of the Committee. The discussions focused on OIOS workplan execution, significant findings reported by OIOS, operational constraints (if any), post incumbency and status of implementation by management of OIOS recommendations, including the top 10 to 20 recommendations that had not been implemented by management.

II. Observations, comments and recommendations

A. Workplan and budget of the Office of Internal Oversight Services for 2010-2011

2. The responsibilities of the Committee with respect to OIOS are set out in the terms of reference and include the examination by the Committee of the workplans of OIOS, taking into account the workplans of the other oversight bodies, and advising the General Assembly thereon.

3. The Committee reported its observations and recommendations with regard to OIOS workplans in its report on the budget for OIOS under the support account for peacekeeping operations for the period from 1 July 2010 to 30 June 2011 (A/64/652) and in the Committee's report on the proposed programme budget for OIOS for the biennium 2010-2011 (A/64/86). In respect of the former report, the General Assembly, in its resolution 64/271, endorsed the conclusions and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions (A/64/753), and requested the Secretary-General to ensure full implementation. In paragraph 150 of its report, the Advisory Committee on Administrative and Budgetary Questions had noted that procedural issues had arisen with regard to the process being followed by the Independent Audit Advisory Committee in reviewing the proposed budget of OIOS. The issue requiring clarification was which budget submission should the Advisory Committee receive: the original submission provided to the Independent Audit Advisory Committee or the OIOS proposals, as amended, by the Secretary-General. The Advisory Committee on Administrative and Budgetary Questions was of the opinion that this was a policy matter for decision by the General Assembly, as it concerned the role

of the Secretary-General in determining the level and allocation of the resources of OIOS in the context of the operational independence of the Office.

4. The Committee agreed that in reporting to the General Assembly on budgetary requirements for OIOS, it would continue to use the Secretary-General's proposed budget for OIOS in accordance with his responsibilities as Chief Administrative Officer of the Organization, provided that the Committee also had access to and was given the opportunity to consider the original budget submission from OIOS as well as any official communication thereon sent to OIOS by representatives of the Secretary-General, in a timely manner.

5. In respect of the Committee's report on the regular budget proposals for OIOS (A/64/86), the General Assembly in its resolution 64/243 concurred with relevant recommendations made by the Committee and requested the Secretary-General to ensure that OIOS designs and implements a plan to complete a risk analysis in preparation for its 2012-2013 biennium budget request. The Assembly also requested the Secretary-General to ensure that OIOS prepares a workplan for investigation.

6. **The Committee has continued to reiterate the recommendations on completion of comprehensive and residual risk-based analyses and work planning with OIOS. The Committee was subsequently advised that OIOS has since adjusted its risk assessment to consider the residual risk in its work planning process by taking into account internal controls that management has put in place to mitigate risks. The Committee looks forward to reviewing the progress made by OIOS during the Committee's review of future budget proposals for the Office.**

7. The Committee continued to monitor the implementation of workplans of the Divisions in OIOS and the timelines of reports. In addressing with OIOS delays in the issuance of reports, the Committee stressed the importance of finalizing reports in a timely manner as the value of oversight work diminishes when reports take too long to complete.

8. The Committee has previously commented in the present report (see paras. 27-31) on the systemic issues reported on by the Board of Auditors, including issues of concern. **The Independent Audit Advisory Committee considers that OIOS can add value to its oversight work by conducting more audits of cross-cutting and systemic issues. The Committee therefore recommends that in preparing its workplan, OIOS place greater emphasis on audits of cross-cutting issues (horizontal audits) in order to identify prevalent systemic issues that need to be addressed by management as a priority.**

B. Vacant posts in the Office

9. The Committee has previously reported the high number of vacancies in OIOS to the General Assembly, in February 2009 (see A/63/737), and in August 2009 (A/64/288). Similarly, in its report on the United Nations peacekeeping operations and accounts for the financial period ended 30 June 2009 (A/64/5 (Vol. II), paras. 368-369), the Board of Auditors had commented on the vacancy rate of resident auditors in peacekeeping missions. As at 31 August 2009, the overall vacancy rate was 23 per cent, including new posts that had recently been approved

for the United Nations Support Office for the African Union Mission in Somalia (UNSOA). This was an improvement over the previous financial period, when the vacancy rate of resident auditors stood at 36 per cent as at July 2008 (see A/63/5 (Vol. II), para. 469).

10. OIOS reported to the Committee that as at 31 July 2010, the overall vacancy rate in OIOS was 23.2 per cent, which is a slight increase over the 22 per cent vacancy rate reported by the Committee in its previous annual report (A/64/288). The highest vacancy rates were in the Investigations Division (32.3 per cent), and in the Internal Audit Division (22 per cent). In these two Divisions, the vacancies related mainly to posts funded from the regular budget and the peacekeeping support account. For example, in the Investigations Division, as at 31 July 2010, 22.9 per cent of posts funded from the regular budget and 38.9 per cent of posts funded from the peacekeeping support account were vacant. Similarly, the vacancy rate for posts in the Internal Audit Division was 25 per cent (regular budget) and 20 per cent (peacekeeping support account), respectively. The Committee also noted with concern that two posts at the Director level, namely, the Director of the Investigations Division and the Director of the Inspections and Evaluation Division, have still not been filled.

11. At its sixty-fourth session, in considering the annual report of the Committee (A/64/288), the General Assembly, in resolution 64/263, had endorsed the comments made previously by the Committee on the filling of vacancies in OIOS and had requested the Secretary-General to ensure the full implementation of the relevant comments of the Committee.

12. OIOS advised the Committee that it is taking steps to recruit staff and to lower the vacancy rates. **The Committee will continue to monitor steps taken by OIOS to expedite the filling of vacant posts, especially the resident auditor and investigation positions. The Committee reiterates its previous comment made in the annual report for the period from 1 August 2008 to 31 July 2009 (A/64/288, para. 36), that the high number of vacant posts, in particular at the senior management levels, would have an adverse effect on the capacity and ability of the Office to accomplish its programme of work.**

C. Quality assessments of the Internal Audit Division of the Office of Internal Oversight Services

13. The Internal Audit Division of the Office of Internal Oversight Services initiated, in the current year, client and staff satisfaction surveys covering various aspects of its oversight function, and shared the results of the surveys with the Committee. The client survey questionnaire which related to year 2009, covered the quality of work of the internal auditors, consultation with clients in developing the workplan, the scope of work, the audit process and reporting of findings. The staff survey questionnaire addressed the professional practices of the Division, the audit process, training, supervision and career development.

14. The Committee considered that the surveys initiated by OIOS were steps in the right direction as they provided an independent basis for OIOS to assess the quality and value of its work, to identify the positive feedback from the respondents to the surveys, and to address those areas in which corrective action was required. Based on the feedback from the client survey, OIOS plans to meet with clients to discuss

concerns raised in areas such as timeliness of reporting and accuracy of findings, and to enhance its monitoring procedures of assignments. With regard to the results of the staff survey, OIOS plans to focus on the areas of training and performance development, in the future.

15. During the reporting period, OIOS had also commissioned two consultants to undertake an independent review for an internal quality assessment in accordance with the Quality Assurance and Improvement Programme developed and maintained by the Internal Audit Division of OIOS. The objectives of the review were to assess the conformity of the Internal Audit Division's practices and processes with its Audit Manual and with the standards of the Institute of Internal Auditors, to assess the efficiency and effectiveness of the Division in meeting the needs of stakeholders and to make recommendations to improve and streamline the internal audit process.

16. Based on the results of the assessments, the consultants have concluded that overall, the internal audit activity generally conformed with the standards promulgated by the Institute of Internal Auditors. The consultants saw opportunities for improvement, such as updating of the audit manual and the Quality Assurance and Improvement Programme, strengthening operational independence, implementing new training initiatives and establishing a clear policy on rotation of audit staff among various audit entities and areas within a duty station or, to the extent possible, among different duty stations.

D. Conclusion

17. In the opinion of the Committee, OIOS appears to be making progress with regard to the quality of its work and adherence to international standards but further effort is required with regard to risk-based work planning, the issuance of reports in a timely manner, and the filling of vacancies expeditiously.

18. The Independent Audit Advisory Committee presents the above observations, comments and recommendations for the consideration of the General Assembly on the effectiveness, efficiency and impact of the audit activities and other oversight functions of the Office of Internal Oversight Services.

Annex II

Observations, comments and recommendations of the Independent Audit Advisory Committee on the terms of reference for the Committee

I. Background

1. Subsequent to establishing the Independent Audit Advisory Committee at its sixtieth session, the General Assembly, by resolution 61/275, approved terms of reference for the Committee, as well as the criteria for its membership. In the same resolution, the General Assembly decided to review the terms of reference for the Committee at its sixty-fifth session. The terms of reference are set out in an annex to Assembly resolution 61/275.

2. The Committee unanimously agreed to provide its observations, comments and recommendations on the terms of reference as input for the review by the Assembly at its sixty-fifth session.

II. Data collection and review process of the Independent Audit Advisory Committee

3. The Committee developed a plan to collect relevant data for analysis and to prepare its input to the General Assembly. The Committee employed two approaches in its data-gathering process: a survey questionnaire distributed in April 2010 to other oversight bodies and United Nations staff members (D-2 level and above) and interviews with representatives of Member States.

4. The survey questionnaire included questions relating to the Committee's discharge of its responsibilities as set out in the terms of reference, the overall assessment of the Committee's value added as an expert advisory body of the General Assembly, the overall performance of the Committee as compared with expectations of an oversight committee, views on how any expectation gaps could be corrected and the overall views of the Committee's responsibilities in the current terms of reference. The survey was administered electronically and the individual responses are confidential. In the Committee's view, while the response data were useful, the response rate was not adequate to draw statistically reliable conclusions about the sample population as a whole.

5. The comments provided in the survey and in the interviews disclosed support for the work of the Committee and acknowledgement that the Committee has made noticeable progress in its efforts to improve oversight in the areas for which the Committee has responsibility.

6. The Committee wishes to take this opportunity to express its appreciation to all of the respondents to the survey, to the other oversight bodies and to representatives of Member States for taking time from their busy schedules to meet with the respective Committee members and to respond to questions. The information gathered provided useful input to the Committee's review of the existing terms of reference and to the proposals by the Committee to the General Assembly.

III. Observations, comments and recommendations

7. The Committee has set out below its observations, comments and recommendations, based on the information gathered from the responses to the survey questionnaire, supplemented by interviews with other oversight bodies and representatives of Member States, and the observations of the Committee over the past 30 months.

8. The Committee has attempted to ensure that all of its activities remain strictly within the scope of its terms of reference (see General Assembly resolution 61/275, annex). In this respect, the observations, comments and recommendations in the present annex focus on the role of the Committee as an expert advisory body that assists the General Assembly in fulfilling its oversight responsibilities, in conformity with section I, paragraph 1, of the terms of reference for the Committee. The present annex addresses only those significant issues that, in the Committee's opinion, are relevant to the review by the General Assembly of the terms of reference for the Committee. The Committee's comments are provided in the same order as the current terms of reference, where applicable.

A. Responsibilities of the Independent Audit Advisory Committee

1. Terms of reference

9. The terms of reference describe the role of the Committee and identify in section I, paragraphs 2 (a) to (j), the specific responsibilities of the Committee.

10. In the survey and interviews undertaken by the Committee, the following emerged as significant issues in relation to the terms of the reference for the Committee:

(a) While a number of respondents to the survey considered that the terms of reference were appropriate, some of them noted that the terms of reference were vague;

(b) Respondents to the survey indicated that the Committee should also review management's system for accounting for results;

(c) Some respondents to the survey considered that the name of the Committee, Independent Audit Advisory Committee, was too narrow in view of the scope of responsibilities of the Committee.

11. Section I, paragraphs 2 (f) to (i), of the current terms of reference for the Committee give it responsibility for aspects of internal oversight and management's activities with regard to risk management, internal controls and financial reporting. The Committee considers that this is only one side of the value/risk equation and proposes that the Committee be empowered to review management's systems for accounting for performance results since this represents the value side of the value/risk equation. In making this proposal, the Committee is drawing reference to the definition of accountability approved by the General Assembly in its resolution 64/259, adopted on 29 March 2010. In that resolution, the definition of accountability "includes achieving objectives and high quality results in a timely and cost-effective manner, in fully implementing and delivering on all mandates to the Secretariat approved by the United Nations intergovernmental bodies and other

subsidiary organs established by them in compliance with all resolutions, regulations, rules and ethical standards; truthful, objective, accurate and timely reporting on performance results".

12. The Committee considers that the definition of accountability approved by the General Assembly provides a valuable opportunity for the Committee to focus on performance results and values. **The Committee therefore recommends that the General Assembly consider expanding the current terms of reference for the Committee to include a responsibility to review management's system for accounting for performance results**.

13. The Committee recalls that, in its resolution 60/283, the General Assembly approved the adoption by the United Nations of the International Public Sector Accounting Standards (IPSAS) as well as the resources to begin the process of implementing IPSAS. The General Assembly, in the same resolution, also approved the replacement of the Organization's Integrated Management Information System with a next-generation enterprise resource planning system or other comparable system.

14. Organizations have continued to make progress in implementing IPSAS, but some organizations have had to push their implementation dates to 2011, 2012, and, in the case of the United Nations, to 2014.

15. The Committee welcomes the efforts of organizations of the United Nations system in moving forward with the IPSAS project, including IPSAS-compliant harmonized accounting policies and guidance.

16. The Committee notes that the Advisory Committee on Administrative and Budgetary Questions, in paragraph 7 of its report (A/64/531), had emphasized the role of the system-wide function in developing harmonized system-wide accounting policies and guidance, ensuring consistent application and interpretation of those policies across the system and advising organizations on the amendments required to align their financial regulations and rules for IPSAS.

17. The Committee considers that, in view of the magnitude and importance of the IPSAS project and the need to ensure close coordination between the IPSAS project and the enterprise resource planning project, the Committee could play an important role in advising the General Assembly in those areas. **The Committee therefore recommends that the General Assembly consider enhancing the Committee's responsibilities under section II, financial reporting, of the terms of reference, to provide for the Committee "to advise the Assembly on the appropriateness of, and potential changes to accounting policies and disclosure practices, including assessing such changes and related risks in those policies"**.

18. The Committee recognizes the benefits to be gained from knowledge-sharing among audit committees and other external oversight bodies in the United Nations system. The terms of reference for the Committee do not expressly provide for such knowledge-sharing.

19. In this regard, the Committee recalls paragraph 13 of General Assembly resolution 64/262, in which the Assembly welcomed the coordination of the Joint Inspection Unit with the Board of Auditors and the Office of Internal Oversight Services of the Secretariat, and encouraged those bodies to continue sharing experiences, knowledge, best practices and lessons learned with other United

Nations audit and oversight bodies, as well as with the Independent Audit Advisory Committee, with a view to avoiding overlap or duplication and achieving further synergy, cooperation, effectiveness and efficiency, without prejudice to the respective mandates of oversight bodies.

20. **Based on best practice and in line with General Assembly resolution 64/262, the Committee recommends that the General Assembly consider expanding the terms of reference to expressly provide for the Committee to facilitate the sharing of experiences, knowledge, best practices and lessons learned with other United Nations audit and oversight bodies, including audit committees**.

2. Criteria for membership

21. Section I, paragraph 7, of the terms of reference provides that members of the Committee shall be appointed and shall serve for three years, and can be reappointed for a second and final term of three years, with the exception of two of the initial five members of the Committee, who shall be appointed by drawing of lots for four years.

22. Section II, paragraph 12, of the terms of reference further provides for a five-year cooling-off period for eligibility of former senior United Nations Secretariat officials for appointment to the Committee following their separation from service. A similar cooling-off period is required for appointment of members of the Committee to be eligible for appointment in the Secretariat.

23. The Committee considers that there should be better alignment between the term of office and the cooling-off period as discussed above. **The Committee therefore recommends that the General Assembly consider amending paragraph 12 of the terms of reference to change the time-related references to "three years" instead of "five years"**.

B. General

24. **The Committee further recommends that the General Assembly consider changing the name of the Committee to "Independent Accountability Advisory Committee", since that title would be more reflective of the responsibilities of the Committee and also in view of the new definition of "accountability" adopted by the General Assembly in its resolution 64/259**.

IV. Conclusion

25. The Independent Audit Advisory Committee presents the above observations, comments and recommendations for the consideration of the General Assembly in its review of the terms of reference for the Committee.

Annex III

Observations, comments and recommendations of the Independent Audit Advisory Committee on the implementation of General Assembly resolution 64/259 on an accountability system in the United Nations Secretariat

I. Background

1. Subparagraphs 2 (f) and (g) of the terms of reference of the Committee with the responsibility to advise the General Assembly on the quality and overall effectiveness of risk management procedures and on deficiencies in the internal control framework of the United Nations.

2. The Committee recalls that, in January 2010, the Secretary-General had submitted a report entitled "Towards an accountability system in the United Nations Secretariat" (A/64/640) to the General Assembly for consideration. In that report, in addition to a proposed definition of the term "accountability", the Secretary-General had set out the Secretariat's achievements to date, the Secretariat's recommendations for strengthening an accountability system in the Secretariat and a detailed plan and road map for the implementation of the enterprise risk management and internal control framework. The Secretary-General further requested the Assembly to endorse the components of the accountability system for the Secretariat and the related measures for increased accountability.

3. The General Assembly, in its resolution 64/259, having considered the report of the Secretary-General (A/64/640) and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/64/683 and Corr.1), inter alia, reaffirmed its commitment to strengthening accountability in the United Nations Secretariat and the accountability of the Secretary-General for the performance of the Secretariat to all Member States. The Assembly also decided on a definition of accountability and roles and responsibilities. At the same time, the Assembly requested the Secretary-General to report to the General Assembly at the main part of its sixty-sixth session on implementation of resolution 64/259, and on a number of issues relating to strengthening accountability in the United Nations Secretariat.

4. The Committee agreed that it would provide in the current annual report supplementary comments and observations to the General Assembly on relevant issues on risk management procedures and internal control framework that fall within its terms of reference. The Committee reserves the right to make additional comments and observations on this subject in the future.

II. Observations, comments and recommendations

5. The Committee welcomes the comments and recommendations made in the report of the Advisory Committee on Administrative and Budgetary Questions (A/64/683 and Corr.1) as well as the decisions taken by the General Assembly to embrace an accountability system in the United Nations Secretariat. In its report, the Advisory Committee had emphasized "that an accountability framework cannot, in

and of itself, create a culture of accountability. Such a culture requires a change in the mindset of staff, driven by a sustained commitment at the most senior levels of the Secretariat" (para. 52). Further, in noting that some improvements to some of the existing tools are being planned or are under way, the Advisory Committee believed that a strong underlying framework was indispensable to ensure that all the various components of an accountability system would successfully interact with each other, and thus provide assurances to Member States that personnel and institutional accountability were embedded in the organizational structure.

6. **The Committee concurs with the above conclusions of the Advisory Committee on Administrative and Budgetary Questions**.

7. In paragraph 23 of its resolution 64/259, the General Assembly requested the Secretary-General to take appropriate measures to accelerate the implementation of results-based management, taking into account paragraph 43 of the report of the Advisory Committee on Administrative and Budgetary Questions. **The Committee recommends that in responding to the General Assembly's request, the Secretary-General should integrate enterprise risk management into the programme planning process as part of the logical framework analysis. This would present an appropriate method of ensuring that programme managers consider managing risks as an integral part of their planning process and ongoing responsibilities. The requirement to report on risks and how they intend to manage these risks, might "compel" managers to adopt a standardized risk management framework sooner**.

8. Accountability is one of the principles that is an important foundation of organizational culture. In paragraph 2 of his report to the General Assembly (A/64/640), the Secretary-General has stated that he shares the belief of Member States that accountability is a central pillar of effective and efficient management that requires attention at the highest level. **In this regard, the Committee would like to reinforce that the Secretary-General has responsibility to design, monitor and evaluate the system of accountability in the Secretariat. The Committee recommends that the system of accountability should not only be clearly defined, it should also be consistently applied, effectively implemented, evaluated periodically and continuously improved**.

9. The Committee welcomes the decision by the General Assembly to establish a clear definition of accountability that includes performance results (see resolution 64/259, sect. A, para. 8). **The Committee recommends that the General Assembly consider that, in addition to the reference to "achieving objectives and high quality results", the definition of accountability should also be expanded to address "managing risks". Risks should be defined as "financial", "operational" and "reputational" risks**.

10. **The Committee further recommends that the definition of accountability should include reference to the obligation of "contractors" and "consultants", since they play an important role in providing services in the Secretariat. Accordingly, should the General Assembly accept the recommendation of the Committee, then paragraph 1 of the definition of accountability could be amended to read as follows: "Accountability is the obligation of the Secretariat, its staff members, contractors and consultants to be answerable for all decisions made and actions taken by them, and to be responsible for honouring their commitments, without qualification or exception."**

11. The Committee met with representatives of the Department of Management to enquire what steps the administration would be taking to implement the resolution of the General Assembly as well as a time frame for implementation. The Committee was pleased to note that the Secretariat has embarked on major initiatives to address the concerns of the General Assembly. These initiatives are described below:

(a) Establishment of an accountability website, which will concentrate in a single location, the most important regulations, rules and instruments of accountability that managers and staff should understand and use in order to strengthen accountability in the Organization;

(b) Undertaking a comprehensive review of delegation of authority;

(c) Establishment of a focal point, within existing resources, to enhance the current capabilities in the Secretariat responsible for enterprise risk management. The focal point, which would be housed within the Department of Management, would be required to implement the proposed methodology for enterprise risk management; build the network of enterprise risk management focal points; carry out enterprise risk management assessments in different Departments in a manner that would achieve appropriate representation by various entities and functions; provide assistance to Secretariat entities implementing enterprise risk management procedures and advance the adoption of consistent methodologies for risk assessment in the Secretariat;

(d) Accelerating the implementation of results-based management within existing resources;

(e) Strengthening personal accountability at all levels within the Secretariat. As a first step, in April 2010, the Secretariat established a new Performance Management and Development System (ST/AI/2010/5 and Corr.1).

12. The Committee considered that the initiatives planned by the Secretary-General were positive steps in the right direction and made suggestions on the best approach that the Secretariat should adopt in order to enhance the successful outcome of the planned initiatives. For example, with regard to the enterprise risk management assessments, the Committee recommended that the Department of Management could identify a few "champions" within the Organization to demonstrate the value and success of such assessments. **The Committee recommends that the Secretariat should develop, as a priority, a clearly defined and well-documented plan to include objectives, responsibilities and a timeline for accomplishing the specific actions it plans to undertake in order to strengthen accountability, in response to General Assembly resolution 64/259.**

III. Conclusion

13. In paragraph 5 of resolution 64/259, the General Assembly urged the Secretary-General to further strengthen consultation with the oversight bodies with a view to ensuring accountability in the Secretariat. In line with its terms of reference, the Committee will continue to monitor the interaction between management and the oversight bodies, and to provide advice to the Assembly on the quality and overall effectiveness of risk management procedures and on deficiencies in the internal control framework of the United Nations.